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President: Mr. I. POSTA (Hungary)

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The meeting was called to order at 10.35 a.m.

FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO (IDB.17/24 and Corr.1, IDB.17/25; IDB.17/CRP.5, IDB.17/CRP.7)

FIELD REPRESENTATION (IDB.17/9)

1. **The PRESIDENT**, speaking as chairman of the intersessional working group, introduced document IDB.17/25. He said that four basic issues that needed to be considered had been identified: activities to be carried out by UNIDO in the future; activities to be discontinued; guidance concerning the future programme and budgets, in particular for the next biennium; and the organizational set-up of the future UNIDO, i.e. the organizational structure of the higher level of the Secretariat, including field representation. The results of the work were embodied in a "draft business plan" (IDB.17/25, annex).

2. In the group's drafting work, he had sought to avoid the procedure of starting with a developing country position and an industrialized country position and then seeking to merge the two positions. He had thought the task too serious for that method to be followed. The different groups of Member States had worked together from the outset, making compromises and taking account of each other's interests and possibilities in a joint attempt to find the correct direction for UNIDO to take.

3. A basic consideration had been that the document to be drawn up had to fulfil at least two basic objectives. Firstly, it had to provide a clear outline of the most important activities to be carried out by UNIDO in the future, with a clear and well-defined description of activities that could give the Secretariat unambiguous guidance in elaborating the programme and budget proposals and reorganizing the staff accordingly. Secondly, it had to send a clear message to the Governments of Member States that the future UNIDO would be a different organization from the current one and would take into account the changed political and economic realities.

4. The preambular part of the document left the mandate of the Organization unchanged, but indicated without any ambiguity the need to focus activities and the shift to be made in UNIDO's overall work and management.

5. There had been a unanimous feeling within the working group that the best way to define UNIDO's future activities was to use a "dual track approach", identifying activities that the Organization should be engaged in and activities that should be discontinued. There had been serious discussion of the list of activities to be discontinued in order not to lose more than was absolutely necessary when redefining the scope of future activities.

6. Under the heading "Financing and budget", the document stressed that the budget format should reflect a programmatic approach. The Secretariat was requested to prepare two budget proposals, with an indicative level of 20 per cent and 10 per cent reduction, for the session of the Programme and Budget Committee (PBC) to be held in September 1997. Preliminary estimates of the budgetary implications of the draft business plan were contained in document IDB.17/CRP.7.

7. The basic objective of the proposed changes in the organizational structure was to streamline the Organization's higher management in order to reflect the changed priorities in activities and to strengthen field representation as well as the middle level of management. The working group considered that it was necessary to define only those basic elements of the new structure that had direct political importance or were absolutely necessary in the forthcoming budgetary process; the middle level of management was a matter for the new Director-General.

8. The working group had accomplished its task and it was now for the Board to take decisions. Good decisions by the Board could still influence the future of UNIDO; it was important not to lose momentum.

9. **Mr. WHITING** (Chief, Budget Section), introducing document IDB.17/CRP.7 ("Preliminary budget estimates, 1998-1999"), said that the estimates presented did not arise from a full costing of detailed programme activities; the Secretariat had estimated to the best of its ability, and within the short time available, budgetary savings, cuts and indicative resource allocations in response to the requests of Member States. Although the Secretariat intended to present to the PBC a programme budget which would largely but not entirely equate with the divisional structures shown in the draft business plan, the preliminary estimates had been presented in table 2 of document IDB.17/CRP.7 under major areas of expenditure, including divisional groupings, because detailed analysis which would identify the allocation of funds on a programmatic basis had not yet been completed. For that reason the resources for the regular programme of technical cooperation and the Industrial Development Decade for Africa (IDDA), for example, were presented separately.

10. Under the 10 per cent budget reduction scenario, the estimated savings arising from the discontinuation of activities identified in the draft business plan (IDB.17/25, annex) amounted to 3.25 per cent of the budget base and savings in respect of efficiency-enhancing measures and streamlining of the organizational structure amounted to 6.85 per cent. Adding the mandatory adjustments to the regular programme of technical cooperation, the total available for budgetary adjustments or reductions was 10.75 per cent, or $16.8 million. With a possible plough-back to substantive programmes of 0.75 per cent, the scenario provided the basis for a 10 per cent indicative budget reduction.

11. When estimating the indicative 20 per cent budget reduction, the Secretariat's task had become altogether more difficult: the second 10 per cent consisted mainly of cuts in post and non-staff resources in all UNIDO programmes. The Secretariat had considered, but rejected, an across-the-board percentage reduction applying to all programmes, and the indicative reductions and allocation of resources had been made having regard to the need to maintain the minimum levels of expertise to meet current and anticipated demand in substantive programmes which fell under the two main clusters presented in the draft business plan. The ultimate allocation of resources in the programme and budget would depend on a programme analysis of activities and expected outputs under those two main clusters. A second consideration had been the need to reduce the impact of budget cuts on resource allocations for the field programme and IDDA activities. The third consideration had been the recognition that administrative and support services should be kept in balance with substantive activities and should have resource allocations which ensured efficient administration while at the same time providing for the proper management and safeguarding of the Organization's financial resources. The indicative 20 per cent budget reductions (presented in table 1(b) of IDB.17/CRP.7) contained, in addition to the 10 per cent scenario, new lines for programme reductions representing post and non-post cuts in all programmes and for cuts in the regular programme of technical cooperation.

12. Reducing the size of the Organization entailed costs in respect, for example, of the redeployment of staff from Vienna to the field and the completion of current projects in areas designated for discontinuation. The need for additional resources for staff reductions under both scenarios was addressed in the paper.

13. Table 3 presented the development of the indicative budget estimates from the approved budget for 1996-1997, and might assist Member States in identifying the base budget level upon which the indicative reductions might be made.

14. **Mr. TIWARI** (India) asked whether the Secretariat had factored into its calculations the closure of the UNIDO liaison offices at Geneva and New York, which had been proposed by some Member States.

15. **Mr. HALIM MOHAMED** (Sudan) asked whether the Secretariat could provide an indicative estimate of the impact of the budget reductions on field representation and the IDDA, which were supposed to be priority areas for continuation.

16. **Mr. WHITING** (Chief, Budget Section) said that some cost reductions had been made in respect of the liaison office at New York, but both liaison offices remained in the budget reduction scenarios, albeit at lower levels of financial resourcing. Under the 10 per cent scenario no resource reductions had been applied in respect of field representation and the IDDA, but under the 20 per cent scenario sufficient resources could not be found in the substantive programmes and it had been proposed that a reduction in the two areas of perhaps 7.5 per cent might be appropriate. It was for the PBC to decide.

17. **Mr. DE MARIA Y CAMPOS** (Director-General) said that UNIDO, like the other specialized agencies, was obliged to have a representation at New York and Geneva. In general, the other specialized agencies had much bigger liaison offices than UNIDO. The offices were fundamental to UNIDO's work, saving travel costs and playing an important role of communication with those countries not permanently represented at Vienna. The IDDA had been cut as little as possible, but in a 20 per cent scenario it was unavoidable that some of the present support programmes were cut. Much of the resources of the IDDA came from the regular programme of technical cooperation. An extraordinary effort had been made to undertake streamlining and to reduce administrative costs in order to cut substantive programmes as little as possible.

18. **Mr. BULA CAMACHO** (Colombia) asked what, in the view of the Director-General and the Secretariat, would be the maximum budget reduction that would allow the Organization to continue operation.

19. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he would be very concerned about any reduction in UNIDO's budget; however, it was for the Board to give a clearer definition of the functions it wished the Organization to perform, and then he could give a clearer answer to the question put by the representative of Colombia. He was in no doubt that a stronger UNIDO would be in the interests both of the developing countries and of the other Member States, and if it was up to him he would increase the Organization's budget, not reduce it.

20. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), introducing agenda item 16 ("Field representation"), discussed the general context of future field representation, taking into account the situation that would prevail after 1997, and described the proposed characteristics and geographical coverage of the new system of representation envisaged, and the suggested procedure for its introduction (see Board decisions IDB.16/Dec.15 and IDB/S.7/Dec.3, annex, paras. 8-12, and documents IDB.16/19 (paras. 9-23) and IDB.17/9 (paras. 7-14)).

21. The conditions under which the implementation of the proposals for a subregional structure for field representation would be feasible were set forth in paragraph 19 of document IDB.16/19.

22. It was envisaged that staff assigned to the field would be treated similarly to Headquarters staff.

23. The subregional offices would work closely with the national focal points. Their location would be determined on the basis of a number of different criteria. Taking into account the experience of other organizations of the United Nations system, some 20 subregional offices could be envisaged. It would be useful to hear the views of Member States on the Secretariat's suggestions in that regard as soon as possible.

24. **Mr. FÖRSTER** (Netherlands), speaking on behalf of the European Union, Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, said that the sensitive issues concerning UNIDO's future had been thoroughly discussed at recent meetings and extensive consultations had been held between Member States, regional groups and the Secretariat. Despite differences of opinion on certain issues, all those who had taken part in the discussions were aware of the urgent need to find a way out of the current impasse and all had made great efforts to reach a compromise. The European Union appealed to all Member States to continue their efforts to reach final agreement on the issues still outstanding. It considered that the draft business plan provided a good basis for discussion.

25. The clustering of activities in the areas in which UNIDO had more expertise than other development and assistance organizations should enhance the Organization's role in the United Nations system. UNIDO had an important part to play in strengthening industrial capacities and in promoting cleaner and sustainable industrial development. UNIDO should also concentrate activities in the least developed countries (LDCs), especially in Africa, agro-based industries and the private sector, particularly small and medium enterprises (SMEs), and continue to assist countries in transition, providing services in integrated packages. Costs should be shared more frequently when recipients were in a position to contribute to UNIDO programmes.

26. After the areas in which activities should be concentrated had been identified, the Secretariat had asked for a budget ceiling. The European Union had suggested a 20 per cent reduction in the budget, a figure which could not be considered as final since other Member States held different views and the decision on the budget ceiling could only be taken by the Programme and Budget Committee and the General Conference at its next session.

27. The European Union was convinced that the draft business plan (IDB.17/25, annex) provided a basis for enabling Member States to agree on the future structure of the Organization. That structure should correspond to the main areas of concentration which would result in UNIDO having two operational divisions and one separate department for administration and finance. It would be useful to have a deputy to the Director-General, but the place of such a deputy within the Organization would be determined at a later date. UNIDO would have to decentralize activities to the field, and it should improve functional and programme coordination between its field representatives and those of other organizations. The European Union would like to see field offices integrated in a unified United Nations representation.

28. It should be pointed out that UNIDO's financial difficulties could be solved if Member States honoured their commitments. UNIDO's financial stability was threatened when Member States failed to pay their assessed contributions or paid them late, and the European Union appealed to all States concerned to pay their arrears and assessed contributions promptly, in full and without conditions.

29. The European Union hoped that the current process would result in a fully reformed UNIDO, efficient, credible and relevant. Without such a result, accompanied by real transparency in management, UNIDO's survival might be endangered. All concerned should continue to work together to solve the problems facing the Organization.

30. **Mr. Seung Kon LEE** (Republic of Korea) expressed his thanks to all those who had taken part in preparing the draft business plan for their excellent work. The document contained key elements for the future of UNIDO, its activities and new organizational structure. The grouping of the substantive activities of the Organization into a few major programme areas was desirable. While recognizing the importance of UNIDO as a provider of technical cooperation, one should not neglect its global forum role; its function as an industrial

development think-tank should be maintained. A balance should be struck between the two functions.

31. Regarding finance, new measures for mobilizing additional funds and expediting the payment of assessed contributions should be sought, and the Secretariat should make further efforts to diversify and stabilize UNIDO's financial base. The new organizational structure should be simple and small but efficient. Unnecessary bureaucratic controls should be done away with and authority delegated from Headquarters to field offices as soon as possible. Personnel management should be based on the principles of merit and efficiency.

32. He would be in favour of establishing a mechanism to strengthen regular contacts between Member States and the Secretariat. He endorsed the proposal to establish some 20 subregional offices and considered that such offices should be established wherever functionally justified. The will and capacity to support those offices financially should be an essential factor in determining their location. The location of pilot offices in particular should be decided after careful consideration of the factors involved. He suggested that the Secretariat provide preliminary information on the staffing and budgets of subregional offices to arouse the interest of Member States in the plan. Close links should be established between subregional offices and the Investment Promotion Services network.

33. He wished to suggest that the Secretariat, which was an object of reform but also a part of UNIDO, should be allowed to express its views more effectively on UNIDO's future. The long accumulated knowledge and experience of the Secretariat were a valuable asset.

34. Finally, he expressed his support for the main contents of the draft business plan He hoped that it would serve as a guideline for UNIDO's future and that the General Conference at its seventh session would launch a really new UNIDO.

35. **Mr. SOKOLOV** (Russian Federation) said that his country's position towards UNIDO was based on its wish to maintain an effective and viable structure to help promote the industrial progress of the developing countries and meet the industrial development needs of countries in transition. It believed that the new UNIDO should remain an independent specialized agency. In considering the future of UNIDO, the approach must be to try to achieve optimum results in the framework of existing possibilities.

36. His delegation had played an active part in the preparation of the draft business plan, which it considered to be concise and well-balanced. UNIDO should become an organization with a more specific mandate and a smaller number of priorities and functions. The business plan would provide a sound basis for UNIDO to adapt to changing economic circumstances. It was only through radical reforms that UNIDO could revive confidence in it among donor countries.

37. One important function of the business plan was that it should convince Member States that UNIDO was being reformed and was ready to move away from ineffective activities of little use to their beneficiaries. His country was ready to support the draft plan. It welcomed the recognition contained in it of the need to help countries in transition and to reaffirm the role of UNIDO as an intermediary between them and the developing countries. It fully recognized that UNIDO must also pay attention to the needs of the LDCs, especially those in Africa. It welcomed the focus on strengthening industrial capacities and on achieving cleaner and sustainable industrial development. UNIDO's future activities should be focused on a restricted number of sectors, especially agro-industry, and especially in the LDCs.

38. Radical reform would not be feasible without considerable changes in the work in the field. His country had always believed that resources should be concentrated in subregional offices and that host countries should pay part of the expenses involved. The number of such offices should, however, be extremely limited and the offices staffed by members of the Secretariat redeployed from Headquarters. Close cooperation between UNIDO sub-regional offices and the field offices of other agencies was essential. The unified United Nations representation in Moscow had worked very successfully and it would be useful to include in the business plan reference to the possible integration of UNIDO offices in a unified United Nations representation.

39. The working group had carried out a very difficult and painful task in identifying programmes that could be discontinued. It was hard to do away with programme activities but it was only thus that a new organization could be built up on a stronger basis. The operation might become a model for other organizations in the future.

40. The new organizational structure would have to be workable. The Secretariat should take great care in preparing its proposals for restructuring, particularly at the highest administrative level. If, for example, the number of managing directors was limited to three, the mechanism for delegating powers would have to be reviewed and strengthened.

41. He agreed with the proposal for two budget options. The Secretariat should continue its preparations as soon as possible. The draft budget must be based on the business plan and take into account forthcoming changes in UNIDO's membership, the cessation of some activities,

the rationalization of organizational structures and the introduction of efficiency-enhancing measures. The reduction in the budget must begin by more savings being made in administration and auxiliary areas. An appropriate level of financing must be ensured. Resources should be reallocated to strengthen the remaining activities in line with the maintenance of UNIDO's independence and viability. The savings on administrative and auxiliary expenditure and the allocation of resources to priority areas should be reflected in the business plan. The format of the proposed budget should reflect the reallocation of resources to priority areas and not be set out in accordance with the subdivisions of the Secretariat. He welcomed the suggestions made for the introduction of greater flexibility in financial regulations and innovative approaches to the mobilization of extrabudgetary resources.

42. **Mr. BAJOWA** (Nigeria) said that developments affecting UNIDO during the past two years had not been encouraging, when the urgent needs of the developing countries, especially African countries, were borne in mind. Africa continued to show negative growth in industrial output, with its share in manufacturing value added stagnating, while the level of industrialization remained low. In a recent report UNCTAD had indicated that Africa received only $3 billion out of the $235 billion recorded in foreign direct investment. The value of UNIDO's assistance could not be overemphasized. Its importance had been clearly highlighted recently by the Conference of African Ministers of Industry and the Organization of African Unity summit. The African Ministers of Industry had expressed grave concern at the negative views expressed concerning the relevance of UNIDO and called for unreserved support for the Organization. Studies made by independent bodies concerning UNIDO's relevance had, however, reached positive conclusions and he was confident that the remaining scepticism would soon disappear. He supported the appeal of the African Ministers to those countries threatening to withdraw from UNIDO to reconsider their position.

43. He had studied the draft business plan (IDB.17/25, annex) with keen interest and fully endorsed the grouping of activities set out under A and B and the proposed areas of concentration of activities. Caution should be exercised in the discontinuance of some of the activities listed, to avoid possible disruption of ongoing programmes and projects. He was particularly concerned at the proposal to discontinue the human resources development programme as such. Industrial human resource development was considered basic by his country; its importance in facilitating the transfer of technology and the delivery of services to the developing countries could not be overemphasized. He therefore suggested that the programme be considered one of the major areas in which UNIDO activities should be concentrated.

44. Recent developments meant that the budget would need to be reviewed, but the idea that expenditure must be reduced at any cost should not be encouraged. There could be a moderate reduction in the budget commensurate with the level of reduction in programmes and not exceeding 10 per cent. Regarding the administrative structure, the presence of too many executives on the same level had not led to efficiency, and the issue of shared responsibilities during the absence of the Director-General had been raised. He suggested that the number of divisions should be reduced from six to three, and that the most senior director should deputize in the absence of the Director-General, rather than having a new post of deputy director-general. There should, of course, be maximum African representation at the policy-making level.

45. The reform efforts made should in no way diminish the important role of UNIDO as a specialized agency within the United Nations system. Member States should continue to give their full support to the Organization. He was encouraged by the proposals submitted concerning services to LDCs and Africa, agro-industries, the transfer of technology, assistance to small- and medium-scale industry and the transfer of environmental technologies. UNIDO had made a positive impact in strengthening Nigeria's technological and industrial base, in facilitating the formulation of an industrial master plan and the development of the fertilizer industry and in strengthening the National Office for Technology Acquisition and Promotion in Lagos and the African Centre for National Metallurgical Development Centres in Jos. UNIDO had also assisted research institutes through technical advisory services. It was hoped that it would continue such cooperation, particularly as regards the development of indigenous technology, the rehabilitation and modernization of industries and support for the promotion of small- and medium-scale industry in the developing countries.

46. The African Regional Centre for Engineering Design and Manufacturing (ARCEDEM) had continued to justify its establishment, facilitating the development and manufacture of engineering components for industrialization in Africa. It needed greater support from UNIDO and African States.

47. More thought needed to be given to the programme for the Second Industrial Development Decade for Africa. He wished to invite the Director-General to enhance the IDDA unit at Headquarters to make it more visible and to enable it to function effectively, ensuring appropriate coordination with the Alliance for Africa's Industrialization. Nigeria had designated its National Committee on Industrial Development as the focal point in Nigeria for the coordination of the Alliance and IDDA programmes.

48. Nigeria had initiated a programme entitled "Vision 2010", which represented an all-embracing economic, political, social and industrial philosophy. It had also embarked on a programme designed to empower women in business and industry and established an export-processing zone and export-processing factories to encourage foreign direct investment in Nigeria and the export of non-oil products.

49. The UNIDO field representation programme had come to assume special importance in the achievement of UNIDO's objectives, and it should be strengthened. Since the posting of a UNIDO Country Director (UCD) to Nigeria, the Nigerian private sector had shown increased interest in UNIDO's technical assistance and advisory services. The programme deserved to be adequately funded. His country would be interested in hosting one of the regional offices and had continued to honour its commitments to the UCD in Lagos as a mark of its continuing support for the UNIDO field representation programme.

50. Finally, he called on all Member States to honour their financial commitments to the Organization without delay. Nigeria continued to believe in UNIDO as an organization dedicated to promoting industrialization in the developing countries and countries in transition. It had initiated efforts to pay its 1997 assessed contributions in full as soon as possible and believed that all Member States should renew their commitment to the Organization.

51. **Mr. RWENDEIRE** (Uganda) said it had been demonstrated that industrialization had played a key role in the economic and social development of the developed and newly industrialized countries (NICs); it would be illogical to expect Africa to achieve development in any other way. Yet the economies of most African countries continued to face serious crises and distortions due to low levels of industrialization coupled with over-dependence on exports of primary agricultural products. UNIDO thus had a vital role to play in the process of restructuring, modernizing and transforming the African economies, through provision of information and advisory and technical cooperation services at all levels.

52. Member States should therefore not press for too many reforms that might prevent UNIDO from fulfilling its mandate. The trends towards globalization of the world economy and regional integration called for a strengthening of UNIDO's activities in areas such as: human and institutional capacity development, industrial investment promotion and networking; support programmes on environmentally sustainable industrial development; services for the development of small and medium enterprises and in support of agro-based industries and their interlinkages with the rest of the economy; and technical assistance to LDCs, particularly in Africa.

53. Support for LDCs was of great significance to the African region. In a world in which technological advances had transformed production and marketing processes and enhanced competitive capability in many fields, the situation in most African countries remained a matter of great concern. With the decline in official development assistance and limited inflows of investment and technology, African economies required radical transformation to enable them to join the mainstream of global trade and technology flows. Industrial strategies, policies and programmes should aim at bringing about qualitative change in African enterprises to ensure accelerated and competitive production capability. UNIDO had an increasingly pivotal role to play in facilitating the planning and implementation of the required changes. His delegation thus concurred with the finding of the thirteenth meeting of the Conference of African Ministers of Industry (CAMI) that UNIDO was one of the international forums that could fully complement the efforts of the African countries to industrialize. Furthermore, UNIDO should remain a specialized agency, and should continue to receive adequate financial support for its programmes, particularly those related to the African region. His delegation called upon all Member States to give their political and financial support to the revitalized UNIDO.

54. In view of the priority accorded by the Board to LDCs, it was reasonable to expect that, without prejudice to the principle that the highest standards of competence and qualification must be taken into consideration in making high-level appointments, the African region would be adequately represented in the Organization's top decision-making cadres.

55. As an LDC, Uganda was faced with formidable development challenges, including poverty alleviation, human resource development and the transformation of its economy's productive structures. Its objective was to modernize in the shortest possible time, and it had undertaken far-reaching political and economic reforms in the context of structural adjustment programmes, continuing to liberalize its economy by placing greater emphasis on the primacy of market forces and the importance of macro-economic stability through good governance. It paid particular attention to reinvigorating the private sector, enhancing domestic resources mobilization and facilitating foreign direct investment, and sought to provide an enabling environment for entrepreneurship and enterprise development. Programmes aimed at enhancing the private sector's capacity to play an effective and sustainable role in accelerating economic growth and modernization covered the areas of human resource and institutional capacity

enhancement, comprehensive infrastructural development, improved access to credit, and provision of business support services. In addition, Uganda had pursued an aggressive privatization policy under which most of the public enterprises were to be divested. Privatization was a long and complex process requiring experience and expertise that Uganda did not possess. His delegation thus commended UNIDO's valuable contribution to and active participation in that exercise, and appealed to the Director-General to ensure that its capacity in that field was enhanced. The idea, proposed in the draft business plan, of discontinuing that element was therefore not acceptable to his delegation.

56. On the issue of development of human resources for industry, his delegation had noted with appreciation the Director-General's report contained in document IDB.17/6. The NICs had clearly demonstrated that a large, well educated, properly trained and highly skilled workforce had a major impact on the speed of industrialization. Africa had a very long way to go in that regard. His delegation associated itself with the resolution adopted at the thirteenth meeting of CAMI requesting the Director-General to deal, as a matter of top priority, with the development of African indigenous entrepreneurship and to substantially increase support to African regional and national institutions dealing with the promotion of industrial and technological manpower. It called upon the developed countries and the NICs to support African countries' efforts to train industrial and technical manpower.

57. With regard to integration of women in industrial development, he said his delegation had noted with concern that UNIDO had not given much support to Uganda in that area. The new constitution of Uganda promulgated in 1995 had provided for enhanced participation by women in decision-making at local and national levels, and the Government had put in place regulations giving equitable opportunities to women in education and employment. His delegation reaffirmed the importance of integration of women in industrial development, and requested the Director-General to assist in the implementation of the Beijing Platform of Action. UNIDO should give priority to helping in the establishment of small and medium enterprises by women entrepreneurs throughout Africa.

58. On the Second Industrial Development Decade for Africa, his delegation appreciated the efforts of the Secretariats of UNIDO, the Economic Commission for Africa and the Organization of African Unity to carry out a mid-term evaluation of the programme for the Decade. It was to be hoped that the lessons learned from the evaluation would be taken into account in future IDDA programmes. His delegation recommended that the Director-General should provide adequate technical and material support to ensure that the priority programme for the Second IDDA was implemented, and it was comforted by his assurances that financial reductions would not substantially affect the programme.

59. On field representation, his delegation had noted that only four of Africa's LDCs had a UNIDO Country Director. His delegation was convinced that the stronger the field representation in a given country, the more effective would be the contribution of UNIDO. Its core activities should thus be focused at the field level, making assistance to LDCs a much higher priority than had hitherto been the case. The African LDCs should have very strong field offices headed by active and visionary UCDs. In Uganda's case, UNIDO activities had not been supported by a rich diversity of programmes. In his delegation's view, that lack of vigour, variety and depth had been principally due to a weak and poorly manned UNIDO office in Kampala. It therefore appealed to the Director-General to ensure that the field offices and activities received adequate financial and material support.

60. Lastly, on the reduction in the budget, a 20 per cent scenario and a 10 per cent scenario had been proposed. His delegation would have preferred a third, 5 per cent, scenario. However, it supported the 10 per cent scenario, in view of the lack of available financial resources.

61. **Ms. VON GRÜNIGEN** (Switzerland) said that, unlike some delegations, the delegation of Switzerland broadly supported the draft business plan elaborated by the intersessional working group (IDB.17/25, annex). However, five issues required further comment. First, with regard to UNIDO's future activities, her delegation welcomed the proposed dual role of UNIDO in strengthening industrial capacities and supporting cleaner and sustainable industrial development. However, to give a clear picture of future resource distribution, there should be clear indicators in the working programme with respect to concentration of activities, indicating what percentage of projects would be dedicated to LDCs, and what coverage should be achieved in geographical, sectoral or thematic clusters. The Secretariat should provide some indications in that regard.

62. Secondly, her delegation welcomed the new form in which the budget would be presented, providing a clear overview of what budget resources would be used by which divisions. It felt, however, that the budget should be elaborated only if the structure of UNIDO's future activities was clear. The budget estimates should be in accordance with the activities to be delivered and with the decrease in assessed contributions caused as a result of the withdrawal of some Member States.

63. Thirdly, the streamlined Organization needed an adequate organizational structure, and her delegation

associated itself with the intersessional working group's proposal in that regard. As, under the new structure, there would be two substantive clusters, it seemed logical that there should also be two substantive divisions. A third division should comprise functions related to administration, operational support and coordination of field representation. Whether the future Deputy Director-General would be the senior officer of the third division was a question still open for discussion.

64. Fourthly, effective decentralization and strengthened field representation had to be secured. That implied appropriate delegation of authority, and also a clear-cut reporting system, core competences with respect to financial decisions and a suitable evaluation procedure for the field representative. Decentralization might thus prove an expensive exercise. The consequences of such a step should be considered before the relevant decisions were taken.

65. Finally, her delegation wished to stress the need for an evaluation scheme that fixed performance indicators. Some output indicators should be elaborated to enable UNIDO and its Member States to measure the progress achieved in the reform process objectively. Indicators for the success of project proposal quality could be, for example, the ratio of submitted projects to project approvals, and the ratio of professionals to administration. Along with a timetable for implementation, those indicators could serve as a "road map" for the future of UNIDO.

66. **Mr. MEYER MEDINA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the process of reform initiated in 1993 had been hampered by continual calls for further emergency measures. Since 1993 the Organization had been immersed in a process of constant external and internal change, with substantial, continuing cutbacks, while, by contrast, the demands of developing countries and countries in transition increased and diversified. Under the leadership of the Director-General, the Secretariat had shown an undeniable commitment to seek ways of meeting the changing needs. Against that background, GRULAC acknowledged the selfless decision of Mr. de María y Campos not to stand again as a candidate for the post of Director-General. GRULAC had not yet decided on its stance regarding the election of the new Director-General. However, it would be receptive, having regard to the interests of the region and the need for industrial development, to any candidate with the necessary political and technical qualifications who also commanded general support among Member States.

67. While mindful of the need for a thorough and realistic analysis of UNIDO's future role, GRULAC believed that it must contribute to creating a constructive working climate, acknowledging that it was Member States that were to a large extent responsible for the crisis the Organization was undergoing. GRULAC would contribute constructively to efforts to create a modernized, dynamic and efficient UNIDO that could meet the new challenges in the field of industrial development.

68. UNIDO must maintain its universal character, taking account of differing regional and subregional circumstances and needs for services in various industrial sectors. Consequently, it must have a broad sectoral coverage and respond to technological progress. GRULAC also wished to reiterate the importance it attached to decentralization of the Organization and strengthened field representation with a clearer mandate. Those complex issues must be studied on the basis of a sound, integrated functional analysis, and not merely considered in terms of budget cuts.

69. On the budget, the Board would have to reach clear consensus decisions to enable the Secretariat to prepare adequate proposals for the next biennium. Deep budgetary cuts might threaten the very *raison d'être* of the Organization, if it was prevented from carrying out the basic functions of a world organization specializing in industrialization. There was much convincing evidence that excessive budget cuts had counter-productive effects.

70. In conclusion, GRULAC appealed not only for the completion of the process of redefining UNIDO's future through high-level dialogue aimed at achieving consensus but also for a transition to a new phase of genuine support for and political commitment to the Organization on the basis of shared responsibility, allowing sufficient time for the reform process to take effect and lead to positive results in terms of industrial development cooperation.

71. **Ms. LAJOUS VARGAS** (Mexico) said that her delegation had participated in a constructive spirit in the consultations on the future role and functions of UNIDO and in the intersessional working group. Above all, it was important to ensure that the new UNIDO could meet the needs that had emerged in the new global context. At Yaoundé in December 1993, Member States had embarked on a process of reform to respond to those new needs. Just three and a half years after the start of that process, according to the recent evaluation conducted by a group of Danish experts, the various mandates given by Member States for the reform had been almost entirely fulfilled. Nevertheless, along the path to reform, the Organization had encountered adverse external factors that had hampered completion of the reform process while obliging it constantly to change direction. In her delegation's view, the situation in which the Organization now found itself was not attributable solely to the need to adapt to new requirements, but also to factors such as a trend towards a reduction in official development

assistance and towards recourse to bilateral rather than multilateral aid. Member States thus now had a historic obligation to ensure that their work would bear fruit.

72. In that connection, she reiterated her delegation's view that UNIDO must remain a specialized agency of the United Nations system. An important step had been taken with the preparation of a draft business plan (IDB.17/25, annex) by the intersessional working group. While the plan would certainly have repercussions for developing countries and countries in transition, her delegation considered that, in the prevailing circumstances, it was an acceptable basis for further work. It should be understood that the listing in the document of activities to be retained was not exhaustive, as otherwise there would be a risk of excluding potentially important activities. In that context, she wished to reiterate the importance her delegation attached to ensuring that human resource development informed UNIDO's activities across the board. That was implicit in the wording of subparagraph (j) of the list of activities to be discontinued. A further important point was the need to link UNIDO with the private sector in the discharge of the tasks assigned to it. Her delegation thus welcomed the contribution submitted by the International Business Advisory Council set up in the framework of UNIDO.

73. On the budget, she wished to state that Mexico rejected the equating of reform to budgetary cuts, although on occasion the two might go hand in hand. While aware that some Member States might be experiencing domestic budgetary difficulties, Mexico, as a developing country, felt bound to express its concern at the prospect of further cuts. It hoped that the final decisions would not be geared solely to budget cuts *per se*, but that a spirit would prevail that was consistent with the importance assigned to UNIDO's new priorities.

74. Field representation was one of the agenda items with the broadest scope, as it was directly related to decentralization as one of the cornerstones of the new UNIDO. Her delegation considered that, if the Board was to be able to take decisions on that question, a number of conditions would have to be fulfilled once the debate on the Organization's future role and functions had been concluded. It would be important to consult with Member States and regional groups concerning the criteria for implementation of a new, essentially subregional, field representation structure. In particular, her delegation considered that any decision, including one concerning the possible opening of pilot subregional offices, must take account of the principle of equitable geographical representation.

The meeting rose at 12.55 p.m.